



PSC NEWS

Missouri Public Service Commission

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PSC APPROVES ELECTRIC RATE INCREASE FOR AQUILA

JEFFERSON CITY—The Missouri Public Service Commission has granted an electric rate increase to Aquila, Inc., reflecting higher operating and maintenance costs. The new rates are the result of increased fuel and purchased power costs and expenses associated with increased customer demand and growth. The Commission's vote was 3-2.

Under the decision, Aquila's annual electric revenues will increase by a total of approximately \$45.1 million in the MPS service area and approximately \$13.6 million in the L&P service area.

When Aquila filed its rate case with the Commission on July 3, 2006, it sought to increase annual electric revenues by approximately \$94.5 million in its MPS service area and by approximately \$24.4 million in its L&P service area.

For a residential customer using 1,000 kilowatt-hours (kwh) of electricity a month, electric rates will increase by about \$9.60 a month in the MPS service area and by approximately \$8.80 a month in the L&P service area.

This rate case decision also addresses energy efficiency programs such as energy audits, rebates and weatherization designed to help customers control their energy usage and make energy more affordable. Under an agreement reached in this case, Aquila will implement cost-effective energy efficiency programs with a funding goal of one percent of Aquila's annual revenues by 2010. Aquila's current annual revenues before this rate case were approximately \$389 million.

The Commission granted Aquila's request to implement a fuel adjustment clause in order to address fuel and purchased power cost volatility. Base rates established in this case reflect a certain level of fuel and purchased power costs. The fuel adjustment clause will reflect increases or decreases in those costs above or below those set in the base rates.

"The Commission finds a fuel adjustment clause better addresses Aquila's current situation, and prudence reviews, including some type of incentive mechanism to encourage Aquila to behave prudently, best allow this Commission to set rates that are both just and reasonable for consumers," the order said.

Aquila requested that it be allowed to pass-through 100% of its fuel cost increases to consumers under the fuel adjustment clause. The Commission allowed only 95% of these costs to be passed on to consumers to help assure prudent fuel practices by the company.

"Twenty-five other states use fuel adjustment clauses to smooth the impact of fuel price increases, to minimize the rate shock on consumers and to spare both the consumers and the state the expense of a full-blown rate case when fuel prices are the only issue at hand," said PSC Chairman Jeff Davis. "We are using a fuel adjustment clause in this case, but allowing only a partial pass-through of fuel increases to customers."

According to Aquila, fuel and purchased power costs make up approximately 46% of the company's total annual operating expenses and those costs have increased by between 13-20 percent annually the past three years.

If implemented by Aquila, the fuel adjustment clause would appear as a separate item on the customer's bill. It can be adjusted up or down twice a year. The earliest this would appear on customer bills would be late this year. Prudence reviews of those costs will be conducted every 18 months.

The Commission has authorized a return on equity of 10.25%. When Aquila filed its request last July, the company sought a return on equity of 11.25%. Return on equity is generally the return to shareholders for their investment in the company.

Aquila, Inc. provides electric service to approximately 235,763 customers in its MPS service area and to approximately 65,313 electric customers in its L&P service area.